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Message Text

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PAGE 01 LISBON 03306 281140Z
ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
SP-02 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-04
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01
PA-01 PRS-01 IGA-02 /082 W
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FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 1107
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E.O. 11652: N/A
TAGS: ELAB, BGEN, EINV, PO
SUBJ: SUMMARY OF AMERICAN INVESTMENT PROBLEMS

REF: (A) LISBON 3110, (B) LISBON 3175

1. MARRIOTT PORTUGUESA: MARRIOTT MANAGER INFORMED LABOR ATTACHE ON APRIL 26 THAT MARRIOTT WORKERS HAVE SUSPENDED THEIR TWO DAILY THREE-HOUR WORK STOPPAGES AFTER MEETING ON APRIL 24. WORKERS VOTED ALMOST UNANIMOUSLY IN FAVOR OF SUSPENSION. ACCORDING PRESS, WORKERS WILL REFUSE TO WORK OVERTIME AND ARE SEEKING MEETING WITH HIGH-LEVEL GOP AUTHORITIES IN ORDER TO HAVE ORIGINAL DISMISSAL OF 37 WORKERS DECLARED INVALID. MARRIOTT ACTIVITIES APPARENTLY ALMOST BACK TO NORMAL AS OF APRIL 27.

2. ITT: SEE REF B.

3. INDUSTRY MINISTRY POLICY VIS-A-VIS TROUBLED FIRMS:
COMMATT MET WITH MR. CABRAL DE FONSECA, DEPUTY DIRECTOR GENERAL OF INDUSTRIAL SERVICES OF MINISTRY OF INDUSTRY, ON APRIL 19 TO DISCUSS SITUATION OF SEVERAL U.S. FIRM WITH INVESTMENT PROBLEMS.
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PAGE 02 LISBON 03306 281140Z

FONSECA REPORTED NEW INDUSTRY MINISTRY POLICY WHICH DIVIDES ALL PRIVATE TROUBLED FIRMS INTO FOUR CATEGORIES ACCORDING TO THEIR ECONOMIC/FINANCIAL VIABILITY. CATEGORY III ENCOMPASSES FIRMS WHICH ARE TECHNICALLY BANKRUPT BUT STILL HAVE POSSIBILITY OF BECOMING ECONOMICALLY VIABLE WITH APPROPRIATE ASSISTANCE. MINISTRY WILL ATTEMPT ASSIST THIS TYPE OF FIRM. CATEGORY IV COVERS FIRMS WHICH

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ARE BOTH TECHNICALLY BANKRUPT AND ECONOMICALLY UNVIABLE. THESE FIRMS WILL BE ALLOWED TO DIE. MINISTRY HAS DEVELOPED ABOVE CRITERIA IN ORDER PRIORITIZE ITS EFFORTS AND FINANCIAL ASSISTANCE. FONSECA EMPHASIZED ABOVE POLICY IS INDUSTRY MINISTRY POLICY AND HAS NOT BEEN COORDINATED WITH OTHER MINISTRIES. ACCORDING FONSECA, TROUBLED U.S. FIRMS WHICH HAVE BEEN ANALYZED WERE CATEGORIZED AS FOLLOWS:

A. STELBER PORTUGUESA - CATEGORY III: ALTHOUGH TECHNICALLY BANKRUPT, FONSECA BELIEVES STELBER CAN BE SAVED BECAUSE OF INTERNATIONAL MARKET FOR BICYCLES AND POSSIBILITY STELBER U.S. CAN PROVIDE PURCHASE CONTRACTS. HOWEVER, STELBER U.S. AND/OR STELBER'S LAWYERS MUST PRESENT CONCRETE PROPOSAL TO RESTRUCTURE FIRM. PORTUGUESE BANKS ARE LEARY OF LENDING FURTHER FUNDS OR CONVERTING CURRENT SHORT-TERM DEBT TO LONG-TERM OPERATIONS BASED ON VAGUE PROPOSAL PRESENTED BY STELBER IN MARCH.

B. OTIS ELEVATOR - CATEGORY IV: FONSECA STATED THAT AFTER PRELIMINARY ANALYSIS OF OTIS PORTUGUESA SITUATION, MINISTRY HAS CONCLUDED THAT OTIS SHOULD BE ALLOWED TO GO BANKRUPT. UPON QUESTIONING, FONSECA ADMITTED ANALYSIS WAS CURSORY AND HE WELCOMED ANY PROPOSAL OR OPINION FROM PARENT FIRM.

C. FACEL - CATEGORY IV: MINISTRY DOES NOT BELIEVE FACEL SHOULD BE GIVEN ANY GOP OR BANKING SECTOR ASSISTANCE, PRINCIPALLY BECAUSE ADVANCE ROSS APPARENTLY NOT INTERESTED IN RESUSCITATING FIRM AND BECAUSE FACEL'S PRESENT MACHINERY IS INADEQUATE TO CONSERVE ITS SHARE OF EXPORT MARKETS. FONSECA TOLD FACEL THAT IT MUST TRY TO GET ASSISTANCE WITHOUT OFFICIAL GOP SUPPORT. IF THIS NOT POSSIBLE, IT LIMITED OFFICIAL USE

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SHOULD FILE FOR BANKRUPTCY. COMMENT: FACEL EXECUTIVES CONFIRMED TO COMMATT ABOVE MINISTRY DECISION. WHEN QUERIED DIRECTLY BY COMMATT, FONSECA STATED THAT HE WAS UNAWARE OF LABOR MINISTRY POLICY VIS-A-VIS FACEL. HE ALSO STATED THAT INDUSTRY MINISTRY DECISION POSSIBLY COULD BE OVERTURNED THROUGH APPEAL BY FACEL TO POLITICAL LEVEL OR TO OTHER MINISTRIES.

D. APPLIED MAGNETICS (AM) - CATEGORY III: BECAUSE OF DEMAND FOR ITS PRODUCT (ELECTRONIC COMPONENTS), AM POSSIBLY WOULD BE WORTH SAVING. COMMENT: COMMATT INFORMED FONSECA THAT AM IS CURRENTLY DISCUSSING LEGAL LIQUIDATION PROCEEDINGS WITH GOP AND THERE IS APPARENTLY NO CHANGE OF AM ATTEMPTING TO REVITALIZE FIRM.

4. COMMENT: IN RESPONSE TO DIRECT QUERY, FONSECA STATED THAT ABOVE CRITERIA ONLY APPLY TO PRIVATE FIRMS AND THAT GOP-OWNED OR INTERVENED FIRMS WOULD NOT BE JUDGED BY SAME CRITERIA. HE ADMITTED THAT THERE COULD BE DISCRIMINATION AGAINST PRIVATE FIRMS.

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